

AR35



Gesco
Distributing
Limited

Annual
Report
1973



**Financial Highlights**

1973

1972

Sales	\$41,918,000	\$33,611,000
Income from operations (before depreciation and interest)	\$ 2,681,000	\$ 1,716,000
Net income	\$ 1,179,000	\$ 734,000
Earnings per share	\$ 1.15	\$.72
Number of shares outstanding	1,025,000	1,025,000
Working capital	\$ 5,751,000	\$ 5,039,000
Current ratio	1.63/1	1.83/1
Inventory	\$ 6,990,000	\$ 4,837,000
Receivables	\$ 7,659,000	\$ 6,172,000
Sinking Fund Debentures	\$ 1,246,000	\$ 1,292,000
Shareholders' Equity	\$ 5,363,000	\$ 4,184,000

Directors

I. H. Asper, Barrister and Solicitor,
Winnipeg

H. R. Bennett, Partner,
Richardson Securities of Canada,
Toronto

R. R. Hall, O.C., Barrister and
Solicitor, Toronto

Allan Shnier, Winnipeg

Cecil Shnier, Winnipeg

Irving Shnier, Toronto

Norman Shnier, Toronto

Philip Shnier, Toronto

Officers

Irving Shnier, President

Norman Shnier, Vice-President,
Chief Executive Officer

Allan Shnier, Vice-President

Philip Shnier, Vice-President

Cecil Shnier, Secretary

Arthur Wolfson, C.A., Treasurer

Transfer Agent and Registrar

The Royal Trust Company,
Halifax, Montreal, Toronto,
Winnipeg, Calgary and Vancouver

Listed on

The Toronto Stock Exchange

Head Office

1965 Lawrence Avenue West,
Weston, Ontario.

Auditors

Touche Ross & Co., Toronto

To our Shareholders:

Messages such as this appear traditionally to be presented in the order of Review of the Past; Report on the Present; and Presentation of Future Plans. We think the future is *at least* as important as the past and our message this year commences with the future.

Current world conditions place a most complex burden on business planners; nevertheless Gesco Distributing Limited anticipates continued growth for itself and is planning accordingly. We anticipate scattered shortages and delivery delays, necessitating some changes in our product and marketing mix, but the overall demands from manufacturers requiring distribution of their products, and from retailers, contractors and manufacturers in the home improvement and home furnishing fields, will at least sustain our growth rate.

In some cases we may offset specific product shortfalls with supplies for our dealers obtained from new principals and in some cases the filling of consumers' needs may have to be postponed. Postponed purchases of home furnishings constitute, in fact, some insurance for future demand, and this fortifies our assessment of continued growth.

The year ahead will see Gesco Distributing Limited opening two new distribution depots in Canada—in Ottawa, and in Thunder Bay. Studies will be continued examining the need and justification for additional depots elsewhere in Canada.

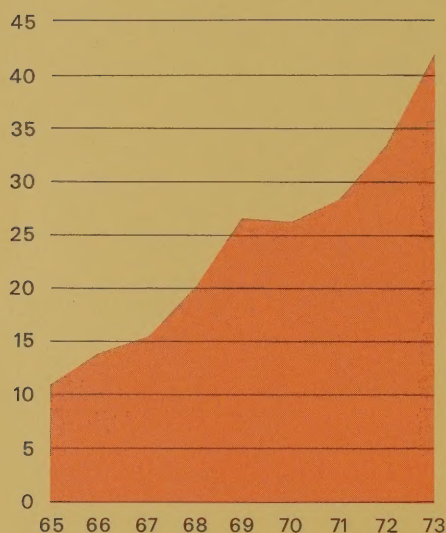
New distribution appointments will be accepted. Our Operating Unit G. E. Shnier Co. will commence the distribution of Ozite floor covering products in the Ottawa area. This follows the 1972 appointment for the Toronto area. Also, Cardinal Industries will commence distribution throughout Canada of the highly respected products of Callaway Carpets of LaGrange, Georgia. Additional announcements can be expected during the year.

Continuous rises in costs and prices show no signs of abatement. Because of this and of the proliferation in product variety, our role as it applies to the physical functions of Distribution will become more and more important, and the Company will continue its planned program of refinement and co-ordination of the physical functions required in the movement of finished merchandise from the factory to consumer. These include anticipation of requirements,



- A New main office and warehouse of Cardinal Industries, Rexdale, Ont.
- B Key tape operator keying data onto magnetic tape for input to computers at Vidi Comp Data Services, Weston, Ontario.
- C A bank of disc drive units for randomly accessing stored data at Vidi Comp Data Services.
- D Interior section of G. E. Shnier Co. Warehouse in Montreal, P.Q., displaying inventories of resilient flooring and carpeting.
- E Partial view of a production line in General Foam and Cushion's Fabricating Division.
- F Close-up of a foam shredding machine in operation at General Foam and Cushion's Concord Plant.
- G Carpet warehousing facilities service customers with requirements immediately.
- H Main office and plant of General Foam and Cushion, Concord, Ont.
- I Lawrence Avenue exterior of G. E. Shnier Co. head office and headquarters for Gesco Distributing Limited in Weston, Ontario.
- J Interior section of Cardinal Warehouse inventory of Ceramic and Mosaic Tile.

SALES (\$ millions)



transportation, storage, material handling, order taking, breaking bulk fabricating, packaging, order filling and shipping. We will be pursuing a program designed to maximize the efficiency of our systems, and to control costs.

More and more large, multi branch, retail organizations are turning to competent independent firms, such as ourselves, for distribution services. They realize that by using our facilities they free human resources and management, and financial and physical facilities, for maintenance and development of market penetration at the retail level.

Our administrative departments will grow and change with our needs. Our Data Processing Unit, will be operating as Vidi Comp Data Systems and by the end of the current fiscal year will provide us with "on line" systems and "video screen" facilities expanding our leadership in our field. Some revenue is expected through the supply of Vidi Comp services to others.

Our Department of Manpower Development will expand its activities, helping to identify and train members

of our organization with growth potential, and to recruit as required.

At the present time the Company operates nine G. E. Shnier Co. Distribution Centres and offices, and eight Cardinal Industries Distribution Centres and offices.

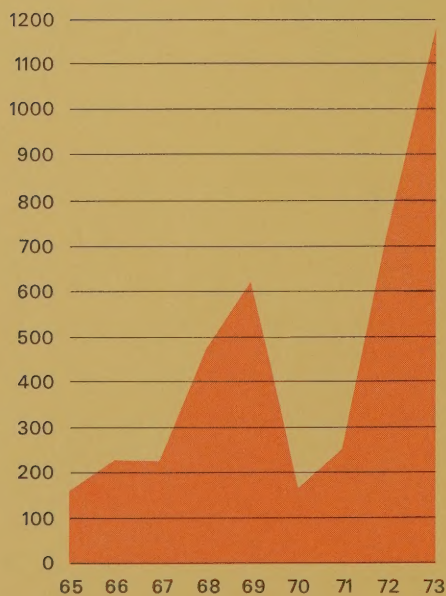
The Furniture Products Division has been changed in name to General Foam and Cushion and operates three Fabricating and Distribution Centres and offices.

Each of our units maintains its own specialized sales force and other personnel such as credit and inventory management staff, while sharing some Gesco Adminstrating and operating facilities.

In Edmonton, we are occupying the new premises constructed during the year; in Winnipeg, General Foam and Cushion is established in separate, specially designed facilities, as are Cardinal Industries in their new main facility, in Toronto.

Sales and Earnings for the fiscal year ended September 28, 1973 reached new highs at \$41,918,421 and \$1,179,006 respectively as compared

NET EARNINGS (\$ thousands)

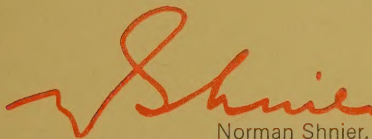


with \$33,610,959 and \$733,659 respectively in the previous year.

Earnings per share were \$1.15 as compared with \$0.72 in the previous year.

On behalf of our Board of Directors I would like to express thanks and appreciation to our principals and suppliers, and to our dedicated staffs and management teams, whose contributions made our record year possible. We pledge to all, continued growth opportunities.

On behalf of the Board,



Norman Shnier,

Chief Executive Officer

January 15, 1974.



Name: **Luigi Giuliani**

Birth: **March 31, 1961**

Birthplace: **Rome, Italy**

Schooling: **Grade 5**

Conducting business includes the annual custom of saying Merry Christmas and thank you to customers who have supported us over the years. In the name of our customers, a sponsorship program was set up in 1969 through the Canadian Save the Children Fund, in which a group of disadvantaged children of the world have been adopted.

The children are cared for and educated in France, Italy, Greece, India, Macao, Hong Kong, Korea, Sierra Leone, and Swaziland. Each year a different child is chosen to grace our Christmas Greeting Card and express all the children's thanks to the many Godparents. This year's Godchild is from Rome, Italy.

Statement of Income

For the Year Ended
September 28, 1973
(with comparative figures for 1972)

	1973	1972
Sales.....	\$41,918,421	\$33,610,959
Profit on redemption of debentures.....	\$ 2,075	\$ 2,860
Income from operations before the following charges	2,678,761	1,713,567
	<u>2,680,836</u>	<u>1,716,427</u>
Depreciation and amortization of fixed assets..	96,913	76,280
Amortization of other assets.....	88,985	44,660
Interest on long-term debt.....	100,932	104,528
	<u>286,830</u>	<u>225,468</u>
Income before provision for income taxes.....	2,394,006	1,490,959
Provision for income taxes.....	1,215,000	757,300
Net income for the year.....	\$ <u>1,179,006</u>	\$ <u>733,659</u>
Earnings per share (based on 1,025,000 shares outstanding).....	<u>\$1.15</u>	<u>\$0.72</u>

**Statement of
Retained Earnings**

For the Year Ended
September 28, 1973
(with comparative figures for 1972)

Balance at beginning of year.....	\$ 1,690,314	\$ 956,655
Net income for the year.....	1,179,006	733,659
Balance at end of year.....	<u>\$ 2,869,320</u>	<u>\$ 1,690,314</u>

**Statement of Source and
Application of Funds**

For the Year Ended
September 28, 1973
(with comparative figures for 1972)

Source of funds		
Operations		
Net income for the year.....	\$ 1,179,006	\$ 733,659
Add non-cash charges		
Depreciation and amortization of fixed assets	96,913	76,280
Amortization of other assets.....	88,985	44,660
Decrease in equity in investments.....	—	39,000
Decrease in deferred income taxes.....	16,500*	23,700*
Total from operations.....	<u>1,348,404</u>	<u>869,899</u>
Application of funds		
Additions to fixed assets, net of disposals and net of government grants of \$74,925.....	556,095	71,637
Redemption of 8% sinking fund debentures.....	80,000	40,000
	<u>636,095</u>	<u>111,637</u>
Increase in working capital for the year.....	712,309	758,262
Working capital at beginning of year.....	5,038,949	4,280,687
Working capital at end of year.....	<u>\$ 5,751,258</u>	<u>\$ 5,038,949</u>

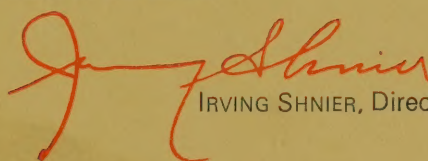
*Denotes deduction.

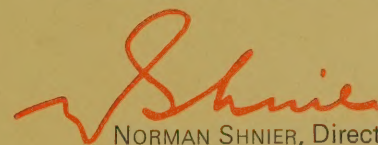
**Balance Sheet as at
September 28, 1973**

(with comparative figures for 1972)

Assets	<u>1973</u>	<u>1972</u>
Current		
Accounts receivable	\$ 7,659,033	\$ 6,172,450
Inventory at the lower of cost and net realizable value	6,990,376	4,837,205
Prepaid expenses and sundry assets (Note 4) . . .	250,383	127,136
	<u>14,899,792</u>	<u>11,136,791</u>
Fixed assets at cost less accumulated depreciation and amortization of \$296,631 (1972—\$237,053)	783,292	324,110
Other assets at cost less amortization	46,520	135,505
	<u>\$15,729,604</u>	<u>\$11,596,406</u>
Liabilities		
Current		
Bank indebtedness (secured)	\$ 4,045,180	\$ 1,600,681
Accounts payable	4,611,856	3,980,991
Income taxes	445,498	372,871
Notes payable	—	131,299
Sinking fund payment due within one year	46,000	12,000
	<u>9,148,534</u>	<u>6,097,842</u>
8% sinking fund debentures series A (Note 1)	1,200,000	1,280,000
Deferred income taxes	18,000	34,500
Shareholders' Equity		
Capital stock (Note 1)		
Authorized		
1,500,000 shares without par value		
Issued and fully paid		
1,025,000 shares	2,493,750	2,493,750
Retained earnings	2,869,320	1,690,314
	<u>5,363,070</u>	<u>4,184,064</u>
	<u>\$15,729,604</u>	<u>\$11,596,406</u>

On behalf of the Board


IRVING SHNIER, Director


NORMAN SHNIER, Director

Notes to Financial Statements

September 28, 1973

1. 8% sinking fund debentures series A

These are secured by a first floating charge on all the assets and property of the company and mature on February 1, 1984. Sinking fund payments are required on February 1 in each year as follows:

1975 to 1979 inclusive	\$105,000
1980 to 1984 inclusive	\$135,000

The terms of the trust deed securing the debentures require that certain working capital requirements have to be met before any dividends may be paid.

2. Commitments

Lease obligations

Annual rentals payable under long-term leases are approximately \$520,000 during each of the years 1974 to 1983 inclusive.

Executive pension plan

The unfunded liability with respect to past service amounts to \$460,195

of which \$329,492 is payable in instalments on December 15 in each year as follows:

1973	\$ 32,740
1974 to 1979 inclusive	\$ 25,240
1980 to 1984 inclusive	\$ 17,271
1985 to 1987 inclusive	\$ 8,739

and the amount of \$130,703 may be paid in full or in part at any time prior to December 15, 1984 at the discretion of the company.

3. Remuneration of Directors and Officers

The aggregate direct remuneration of the Directors and Senior Officers for the year ended September 28, 1973 was \$350,000.

4. Prepaid Expenses and Sundry Assets

Included in prepaid expenses and sundry assets is an amount due from Kingsdale Securities, a shareholder, totalling \$19,700.

Auditors' Report

The Shareholders,
Gesco Distributing Limited.

We have examined the balance sheet of Gesco Distributing Limited as at September 28, 1973 and the statements of income, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the company as at September 28, 1973 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

TOUCHE ROSS & CO.
Chartered Accountants.

Toronto, Ontario,
November 5, 1973.



Gesco Distributing Limited

G. E. Shnier Co.

1965 Lawrence Avenue West,
Weston, Ontario

Managers: P. Shnier
I. Collinge
D. MacDonald
R. Watson
E. Adams

6660 Cote de Liesse,
Montreal, Quebec
Manager, B. MacNeil

26 Gurholt Drive,
Burnside Industrial Park,
Dartmouth, Nova Scotia
Manager, I. Cohen

BRANCHES

3525 Foster Avenue,
Vancouver, B.C.
Manager, E. Rosenhek

11937 145th Street,
Edmonton, Alberta
Manager, A. Langston

3223 10th Street S.E.,
Calgary, Alberta
Manager, T. Lloyd

310 4th Avenue East,
Regina, Saskatchewan
Manager, C. DeBoer

1175 Sherwin Road,
St. James, Manitoba
Manager, A. Shnier

97 Bessemer Road, Unit H,
London, Ontario

Cardinal Industries

Manager, B. Palansky
111 Westmore Drive,
Rexdale, Ontario

Warehousing facilities in
Vancouver, Edmonton,
Calgary, Regina, Winnipeg,
Montreal and Dartmouth.

General Foam and Cushion

Manager, B. Neskar

200 Snidercroft Road,
Concord, Ontario

6660 Cote de Liesse,
Montreal, Quebec

1520 Inkster Boulevard,
Winnipeg, Manitoba



Armstrong

Callaway



CARDINAL



Congoleum

Ozite



Products

Floor Coverings, Ceiling Tile, Ceramic Floor and Wall Tile, Hardware
Specialty Products, Household Aids, Furniture Cushioning and
Upholstering Supplies.

B. F. Goodrich sponge carpet cushion and furniture cushioning.

Armstrong tiles, vinyl sheet flooring, cushioned flooring and
ceiling tiles.

Bondworth carpets.

Callaway carpets.

Caravelle carpets.

Cardinal mosaics, ceramic wall tile, mats and matting, Karpet Kover.

Celanese carpets.

Congoleum fine floors.

Ozite floorcoverings.

Seneca carpets.

Carpets, tiles, vinyl sheet flooring, cushioned flooring, ceiling
tiles, rubber and vinyl cove base, stair nosing, installation equipment,
adhesives, rubber and vinyl mats and matting, stair treads, foam
furniture cushioning.

